



County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

September 18, 2002

TO: Each Supervisor

Handwritten signature: Bryce Yokomizo

FROM: Bryce Yokomizo, Director

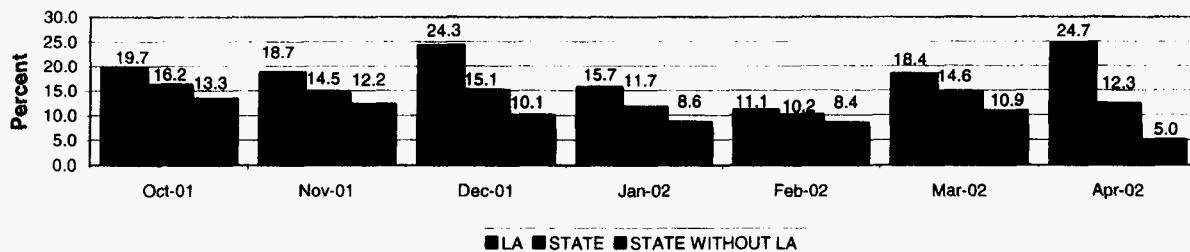
SUBJECT: **BOARD OF SUPERVISORS MOTION: L.A. COUNTY FOOD STAMP
ERROR RATE PROGRESS REPORT**

This is to provide your Board with the departmental progress report on the Los Angeles County Food Stamp error rate. Representatives from the offices of the Chief Administrative Officer (CAO) and the Auditor Controller (A-C) have reviewed and concur with the information in this report. Effective with this report, my Department has also asked for County Counsel review.

ERROR RATE

Based on the latest available findings from the California Department of Social Services (CDSS), the Department's Food Stamp error rate for April 2002 is 24.7%. The monthly State sample tends to vary considerably from month to month, because of its small sample.

The graph below displays the month-to-month error rate comparison between Los Angeles County and the average error rate for all other counties in the state of California for Federal Fiscal Year (FFY) 2002 through the month of April 2002.



In spite of the high error rate for April, the cumulative error rate for the first seven months of FFY 2002 is 19.3%. The cumulative findings for the Department is showing an improvement of 3.6 percentage points in comparison to the Department's 22.9% cumulative performance for the previous fiscal year.

PERIOD COVERED	L.A. COUNTY	STATE	STATE W/OUT L.A.
October 2000 - September 2001	22.9%	17.4%	12.1%
October 2001 - April 2002	19.3%	13.3%	10.0%

Source: CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

We are all anxious to see immediate improvements in our Food Stamp error rate, and we have implemented aggressive new operational procedures during the past three months to bring it down. As mentioned in prior reports, the State audits run about four months behind, so we will probably not see positive results until the end of the year.

INITIATIVES FOR IMMEDIATE ACTION

On August 5, 2002, I informed your Board on new initiatives for implementation. The progress of the following initiatives is being closely monitored:

- With the July 1, 2002 implementation of CW 7 Change Centers (CCC) in 23 district offices, the Department has changed the way the Monthly Eligibility Report (CW 7) form is processed. This method allows for centralized processing of all CW 7 forms with reported changes. Since my last report, the Department has completed additional training for the CCC process in the Special Aids Districts which implemented the CCC effective September 3, 2002. This process will improve the Food Stamp error rate by ensuring that action is taken on all CW 7 reported changes. The progress of the CCC is being closely monitored.
- The Department has enhanced its Quality Assurance (QA) Program. To provide a better measurement of current district performance, the Department began conducting real time case reviews. August 2002 audits are identifying problems in benefits issued in August rather than several months after the benefits are issued, so that we can see the results of the most recent corrective actions put in place.
- The Department is producing a CW 7 Video to improve communication with the public on reporting responsibilities. Participant errors contributes about 41% to our error rate. Filming began on August 19, 2002 and was completed on August 30, 2002. The Video will provide participants with clear, step-by-step instructions for more accurate and complete monthly reporting. Accurate and complete reports will lead to improved payment accuracy.
- The Department has developed Motivational Posters to be displayed throughout district offices containing messages to support line staff. Four motivational posters have been cleared for reproduction and distribution department-wide.

SANCTION APPEAL FOR CALIFORNIA AND LOS ANGELES COUNTY

As previously reported, CDSS requested an extension to submit an "Intent to Appeal" which was granted until August 8, 2002. On August 6, 2002, CDSS formally notified the United States Department of Agriculture, Food and Nutrition Service (FNS) of the intent to appeal its Food Stamp Quality Control liability for FFY 2001 in the amount of \$114.3 million. The notice further informed FNS that the State intends to seek outside counsel to represent it and, therefore, made a formal request for sixty additional days from the date the Appeal Petition would otherwise be due, to file its Appeal Petition. The State now has until early December 2002 to file the appeal. This is 50 days from submission of the August 6, 2002 Notice of Intent, plus an additional 60 days granted by USDA. Attached is the CDSS letter dated August 6, 2002, indicating that they will file an Appeal Petition.

Grantland Johnson, State Health and Human Services Secretary, has approved the request to hire the private Washington law firm of Covington and Burling. CDSS is awaiting formal approval from the Governor's office. CDSS intends to pay the legal fees out of the funds included in the FY 2002-2003 state budget for the state share of the FFY 2001 penalty. The estimated cost is approximately \$200,000. CDSS has not contemplated asking counties to share in the legal costs. The State has made no decision regarding judicial action if the administrative appeal is not successful. Grantland Johnson has expressed support for judicial action if necessary.

To resolve the Food Stamp sanction for FFY 2001, CDSS offered to go to arbitration. The Office of the Administrative Law Judge has notified CDSS of a willingness to provide assistance with alternative dispute resolution.

My Department is working with County Counsel, CDSS and other affected counties to prepare the appeal for a reduction of the FFY 2001 sanction liability amount. Sending a County appeal is held in abeyance until the State resolves the statewide sanction liability amount for FFY 2001.

I will continue to provide your Board with regular progress reports until the Department's Food Stamp error rate is substantially reduced.

BY:ps

Attachment

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

GRAY DAVIS, Governor

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



August 6, 2002

VIA OVERNIGHT MAIL

Honorable James W. Hunt
Chief Administrative Law Judge
U.S.D.A.
Room 1081-S
1400 Independence Avenue, S.W.
Washington, DC 20250-9200

Subject: FSP Docket No. 02-0004
Notice of Appeal
Request for Extension of Time

Dear Judge Hunt:

This constitutes Appellant California's Notice of Intent to Appeal its Food Stamp Quality Control liability for FY2001 in the amount of \$114,305,661. The revised Bill for Collection was dated May 9, 2002 (copy enclosed). The original Bill for Collection was for \$115,755,308 dated April 28, 2002. However, due to extensions of time, California was granted to August 8, 2002, to file its Notice of Appeal. This Notice of Appeal is filed pursuant to Section 14(b) of the Food Stamp Act (7 U.S.C 2023(a)). Further, California intends to seek outside counsel to represent it in this matter and therefore, respectfully requests an additional 60 days from the date the Appeal Petition would otherwise be due, to file its Appeal Petition.

Finally, if the Office of the Administrative Law Judge has provisions for alternative dispute resolution, California is willing to explore such a process to resolve this matter.

If you have any questions, please contact me at (916) 654-1199, or by facsimile at (916) 654-1171.

Sincerely,

J. William Lewis
Senior Staff Counsel

Enclosure

cc: Mr. Allen NG, Regional Administrator
FNS Western
U.S.D.A.
550 Kearny Street
San Francisco, California 94108

C 4513



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Corner Drive

Alexandria, VA
22302-1800

MAY 09 2002

Mr. Grantland Johnson
Secretary
Health and Human Services Agency
1600 9th Street, Room 460
Sacramento, California 95814

Dear Mr. Johnson:

On April 26, 2002, we wrote to you and to Governor Davis regarding the Department of Agriculture's release of California's official Food Stamp Program error rates for fiscal year 2001 and the associated liabilities. As you know, the liability amount was adjusted for the high proportion of earners and immigrants in your caseload. It has since come to our attention that the adjustment was erroneously made, using a formula based on dollars instead of cases. In addition, although California's combined food stamp error rate was correctly reported to be 17.37 percent, because of a second formula error, the unadjusted liability amount was incorrectly reported to be \$138,596,123. The actual unadjusted liability should have been \$137,800,508, due to the statutory cap applied to liabilities. However, because California's adjusted liability is below the statutory cap, this second error has no material impact on the adjusted liability.

The April 26, 2002, letter notified you of an adjusted liability amount of \$115,755,306. When we corrected the formula error, your adjusted liability was decreased by \$1,449,645 to \$114,305,661.

Enclosed is a revised Notice of Claim/Bill for Collection in the amount of \$114,305,661. We regret any inconvenience this may have caused.

Respectfully,

Roberto Salazar
Administrator

Enclosure

AN EQUAL OPPORTUNITY EMPLOYER